



## WE CARE

Annual Report 2013

01

Corporate  
Information

02

Letter to  
Shareholders

04

We Care

16

Financial  
Highlights

19

Directors'  
Report

23

Management  
Discussion &  
Analysis

28

Corporate  
Governance  
Report

40

Financial  
Section

## Contents

01	Corporate Information
02	Letter to Shareholders
19	Directors' Report
23	Management Discussion & Analysis
28	Corporate Governance Report
40	Auditors' Report
44	Balance Sheet
45	Profit & Loss Account
46	Cash Flow Statement
47	Notes to Financial Statements

# Corporate Information

## Board of Directors

**Kamlesh C. Mehra**  
*Chairman*

**Shishir Joshipura**  
*Managing Director*

**Darius C. Shroff**  
*(up to 30.04.2013)*

**Henrik Lange**

**Prakash Telang**

**Prasad R. Menon**

**Rakesh Makhija**

**Tore Bertilsson**  
*(up to 12.07.2013)*

**Tryggve Sthen**

**Vartan Vartanian**

**David Bishop**  
*(alternate to V Vartanian)*

## Company Secretary

**Pradeep Bhandari**

## Auditors

**M/s Price Waterhouse & Co., Bangalore**  
Muttha Towers, 5th Floor, Suite No. 8,  
Off Airport Road, Yerwada  
Pune - 411 006

## Bankers

The Hongkong & Shanghai Banking Corp. Ltd.  
HDFC Bank Limited

## Share Transfer Agent

**TSR Darashaw Private Limited**  
6-10, Haji Moosa Patrawala Industrial Estate,  
20, Dr. E. Moses Road,  
Mahalaxmi, Mumbai - 400 011

## Country Management Team

**Shishir Joshipura**  
*Managing Director*

**Anjali Byce**

**Chandramowli Srinivasan**

**Harsha Kadam**

**K Ramakrishnan**

**Mattias Axelsson**

**Pallavi Deshmukh**

**Shoaib Shaikh**

**Shrikant Savangikar**

**Sudhir Rege**

# Letter to Shareholders



“We initiated a focused program to work more closely with our customers to help them reduce costs, eliminate waste and deliver higher value to their customers.”

## Dear Shareholders,

It is my privilege to present to you the Annual Report of SKF India Ltd. for the year 2013. SKF India reported Net Sales of ` 22,464 million for the year ended 31st December, 2013 as against ` 22,041 million in the previous year. The profit after tax for the year 2013 was ` 1,667 million (after absorbing an exceptional cost of ` 221 million) compared to ` 1,901 million in the previous year.

The year in review posed many challenges to the Company on several different fronts. Weak economic indicators and subdued industrial productivity made growth a challenge. Specific concerns for the Company stemmed from the steep depreciation in the value of the Rupee, higher interest rates, intractable inflation and continuous pressure on demand. Supply side bottlenecks aggravated the circumstances and the lack of traction in structural reforms constrained economic expansion. These trends impacted the overall sentiment in the manufacturing sector - specifically in the automotive and industrial segments.

Yet, our endeavor amidst these circumstances was to deliver higher value to our customers, while improving our internal productivity. We stretched our resources to derive maximum yield from its deployment and focused on increasing our operational efficiency.

These challenges demanded an innovative response from us.

We derive strength from our customer focus and ability to continuously innovate and develop new products, solutions and services which meet the needs of customers across diverse industries. This very capability of creating and delivering offerings that bring real benefits and value to customers provided SKF India the foundation of stability in this adverse environment. We initiated a focused program to work more closely with our customers to help them reduce costs, eliminate waste and deliver higher value to their customers. Closer engagement with winning customers and focus on acquiring new customers by expanding our network enabled us to reap benefits.

In addition, we initiated a focused program to reduce costs, eliminate waste from our operations, and improve market share of product-lines that offered higher margins. Our performance reflects the results of these

efforts and re-emphasizes our strong business model whose cornerstone is sustainability. While our efforts have improved our efficiency, on the macro side, it is still difficult to see a fast turnaround in the near future.

In mid to long-term, the India story holds good potential and economic recovery can begin with the initiation of reform programs and global recovery.

In addition, restart of stalled projects, debottlenecking of the core sectors, containment of inflation and resultant easing of interest rates will help the economic activity of the country to get back on the growth path. The summer of 2014 will also see a new government at the Center and expectations are high that it will usher in a new era of governance.

The healthy development of the manufacturing and industrial sector is key to realizing India's long term potential in a sustainable way. We have talked about India's demographic dividend and the huge potential it holds for development of India's economy. An enabling environment which will equip the incoming generation with necessary skills and knowledge will be a basic building block for realizing this potential.

The country's traction on the path to growth is powered by the National manufacturing policy and while there may be some debate about adequacy of the postulates of this policy, the need of the hour is to start this journey. As India embarks on this journey, technology and innovation will play a pivotal role in defining success in a sustainable way.

Our business strategy is well placed to capture opportunities presented by the unfolding of these measures. Our hands-on efforts at building a portfolio of technology-led efficient products and service offerings over the years have enabled us to overcome the volatility of our customer segments to a great extent.

We believe that sustainability will be a business imperative for all organizations and will increasingly be interwoven into everyday activities. At SKF India, we understand this business imperative, and strive to integrate sustainability into our core business activities. Sustainability is one of our key drivers and it manifests itself in the principle of SKF Care, which encompasses Business

Care, Environmental Care, Employee Care and Community Care. Our success as an organization is based on the power of knowledge engineering and our commitment to the SKF Care principles.

As the name suggests, Business Care implies a clear and dedicated customer focus and the delivery of strong and, sustainable financial performance to shareholders in accordance with the highest standards of ethical behavior. You will find examples of application of this principle in our daily work life in this report.

Every stage in our value chain presents us with the possibility to reduce the environmental impact of our operations. Taking this approach forward which aligns with our Beyond Zero philosophy, we launched project "SustEn" across the country. The project aimed to reduce the energy consumption and carbon footprint by moving away from carbon intensive sources of energy and reducing our energy bills, enabling our operations to become more sustainable and competitive. I am happy to share that the project achieved tangible benefits and it was even more satisfying to see the very conscious and active efforts by the teams and employees in embracing the project objectives, devising intricate strategies ultimately leading to its success.

Since inception, this project has yielded 41 MINR savings with reduction of 1,730 tons of CO<sub>2</sub> emission. This is an encouraging beginning with scope to do more.

Our teams were trained to deliver higher value to our customers. This initiative was extended to include our distribution partners with the rollout of the DD curricula program. We also initiated structured programs to ensure industrial harmony with the union and management collaboration workshops.

Our most fundamental responsibility towards the society is to manage our business and operations in a responsible and accountable manner. As good corporate citizens, we are expected to have a positive impact through our interactions with society. It gives me immense pleasure to have announced the introduction of a girls' football team in our SKF Sports Academy, Pune from this year continuing our efforts to make a meaningful difference in the communities neighboring our operations. Moving forward, plans are

on the anvil to replicate this model in other locations in the country. This will further our efforts in nurturing potential and provide growth opportunities to the children from the underprivileged sections of the society.

On another note, the year 2013 saw the calamity created by nature's fury in Uttarakhand in July. It was a painful loss and besides the tragic loss of life, property and damage to the environment, floodwater also engulfed the Srinagar Industrial Training Institute (ITI). This Institute has been a source of good talent for our Haridwar factory. SKF employees across the nation voluntarily contributed one day's salary and this contribution was equally matched by the Company and the total corpus was used for restoration of ITI and Chief Minister's relief fund. SKF Haridwar employees also worked in close coordination with the Institute in Uttarakhand to help in the restoration of its operations.

SKF India remains committed to growing the business in a sustainable and responsible way today and tomorrow. If we are to achieve more, we cannot shy away from doing more. Our efforts have won us a few accolades during 2013. Dun & Bradstreet rated us as the best bearings company for the 7th consecutive year, we were rated as the market leaders in the industrial bearing space by Frost & Sullivan, the Pune factory also won the coveted Gold award at the Economic Times & Frost & Sullivan manufacturing excellence awards.

I place on record my sincere appreciation to our distribution partners and suppliers for their continued support. I would also like to share my gratitude to our customers for their continued trust, and our shareholders for their continued confidence. I look forward to 2014 which we all earnestly hope will usher a new era of opportunities. One in which all our stakeholders work in unison with the singular aim of delivering more value, while deriving higher levels of benefit. Together, we shall redefine our tomorrows through innovation, use of new technology and new levels of customer connect.

Thanking you,



**Shishir Joshipura**  
Managing Director

# We Care

A seed that is not nourished properly does not foster a healthy sapling; and a sapling if not nurtured well withers away with the first waft of strong winds.



**Growth, to be meaningful, impactful and sustainable, needs to be nurtured with care. Care that is all-inclusive and holistic.**

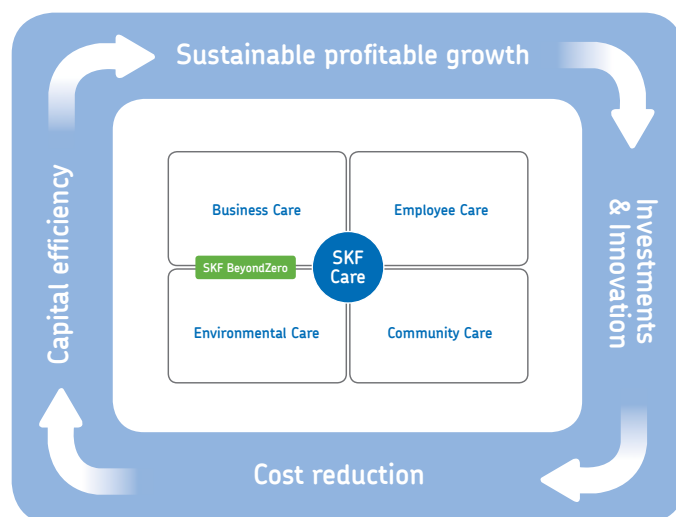
- Care that encompasses every aspect of an organization's business operations - across technology and people.
- Care that continuously protects the society at large from environmental degradation and resource depletion.
- And care that goes beyond business to impact and empower people both within and outside the organization's operational fabric.

For us, at SKF India, care is an integral part of our growth plans. It is the value system that steers our future-driven journey and the inspirational core that exemplifies the fundamental and inherent strength

of our business. It is the foundation on which we have built our pillars of sustainable profitable growth, capital efficiency, investment & innovation and cost reduction.

Whether it is our business methodology, our environment-focused and employee-centric approach, our approach to environment, or our CSR philosophy, the extent and impact of our care is universally manifest. It is evident in the tangible and measurable impact it has across the SKF India landscape and also the intangible force it triggers beyond business.

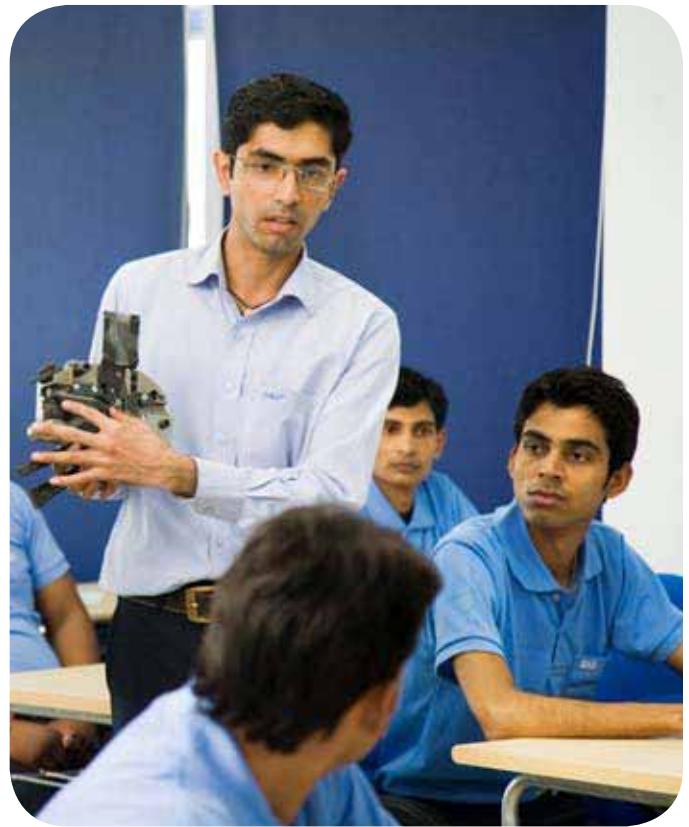
This Annual Report captures these tangible and intangible results through some interesting stories which demonstrate that **We Care**.





# We Care about doing Business right

A **perfect business** strategy is all about doing business the right way thereby ensuring sustained stakeholder confidence and growth for years to come.



SKF India's growth charter is led by this philosophy of doing business in the proper manner, with due and diligent care to every aspect, across the value chain. From offering better products and innovating new solutions to customizing them, we believe in proactively giving our customers the best value proposition in the industry. This helps them improve their operational and product performances, while helping us accelerate business growth.

This Business Excellence stratagem, which encapsulates the Quality, Six Sigma and Group Project Management (GPM2) approach, enables us to deliver value to our customers in the most effective and efficient way by reducing waste and eliminating non-value added activities.





**A look at some of the ways in which we have grown our business and delivered business excellence:**

### **Partnering with machine tool customer for strategic growth**

A leading machine tool OEM in India was looking for a strategic partner to expand its supplier base, and concurrently give a qualitative and quantitative boost to its product portfolio and Machine Tool Segment business. SKF India proved to be the perfect choice, both in terms of its quality product portfolio and its reliability core. Starting with LLT profile rail guides, the partnership eventually expanded to include bearings and other product lines. The SKF knowledge in the machine tool segment proved an added benefit for the customer. With this tie-up, we have not only expanded our relationship with this customer but have also augmented our business excellence strength.

### **Delivering unique solutions to an engineering company**

An engineering company was battling with problems of frequent bearings failure and mismatch in decibel norms for its new application of silent running gear boxes for a lift manufacturer. With its business getting adversely impacted, the company was looking for immediate solutions. SKF India stepped in with its recommended solution of replacement of the existing metal shield DGBBs with rubber seals. The company accepted the recommendation to its benefit. It was not only able to achieve increased mechanical efficiency of its gear boxes, thus leading to lower failures and higher customer satisfaction, but also lower life cycle cost as an added advantage. For us, at SKF India, this has translated into volume growth and will provide greater opportunities for cross selling.

### **Setting new benchmarks in quality excellence for a Mining customer**

Some critical applications of a major mining OEM, such as the pulley, needed a high quality solution. Armed with a technical proposal for bearing housing assembly, and a visit to the customer premises to further highlight the benefits of SKF offerings, we successfully signed the important deal. Excellent coordination with internal teams enabled extremely fast turnaround of the project, surpassing even the customer's expectations on the delivery time. The gain in lead time is helping the customer enable project execution for the end user in minimum possible timeframe. The platform has been set for building sustainable business partnership over a strong platform for future growth in this segment.



The SKF Global Quality Workshop held in July 2013 has identified the key focus areas for the company to build on its excellence platform further during 2014, with the thrust being on improvement in customer responsiveness, supplier process improvement and strengthening of quality system.

# We Care about doing Business right



## Sealing the perfect relationship with the cement industry

Issues in sealing system can be really troublesome, as this customer discovered while operating the slide ring for their horizontal ball mill running on slide shoes. We knew we had to come up with a solution that would improve their sealing efficiency, reduce maintenance cost and improve mean time to replace/repair. Our solution, evolved with the help of the Mining Mineral Processing and Cement segment team, lay in customized seals. Our offering enabled the customer to reduce oil leakages and lubrication consumptions. In the absence of dust accumulation between seal lips, the risk of shaft scoring was also reduced. Eventually, this led to increased stiffness due to broader width of seal, and also increased sealing efficiency. For us, this project has laid the foundation of replicating this achievement with other cement manufacturers in India.

## Upping the quality for aluminum company to reduce downtime

A leading national aluminum company was faced with the bleak prospect of shutdown of its Captive Power Plant (CPP) due to constant failures with existing bearings. What aggravated the application woes was the absence of a proper Root Cause Failure Analysis (RCFA) to correctly diagnose the problem. The company turned to us for an alternative. Our pioneering team immediately began work on addressing the problem and came out with an innovative TRB product ingeniously developed at SKF. While the product's unique features, logarithmic profile and improved roller end/flange contact help in reducing downtime. The customer further gained from our strong RCFA reports and internal technical support systems. This new business foray has delivered a tangible benefit for us in terms of increased revenues, while opening up avenues for further growth in other power units.

## Giving reliability a new meaning for turbine manufacturer

While searching for a bearings supplier, a leading turbine manufacturer in India was focused on the reliability factor as much as timely and quality supply. They found ideal supplier in SKF India and benefitted by reduction in long term lead time as well as cost.

## Putting the foot on the accelerator for the locomotive customer

For an electric locomotive to face constant failures in its axle box bearings can be a tough problem indeed for any manufacturer. And when reliability, cost and delivery are also issues, then finding a good, single approved source of bearings becomes a necessity rather than a matter of choice. We met our customer's challenge by indigenously manufacturing the bearing at an SKF facility with polyimide cage. Successful stringent field trials over 18 months ensured total customer confidence and SKF was approved as a bulk supplier, thus helping us bridge the gaps in increasing production of three phase locomotive by the customer.

## Diving deep into business excellence

To further strengthen our manufacturing and Business excellence processes an intensive program "Business Excellence going forward" was launched. Guided by the lean principles and focused on waste elimination coupled with value addition for the customer in every aspect of our business, we got the SKF group assessor to undertake a well-defined two-week process of assessment of the current situation in our Pune and Bangalore factories. The process involved diving into the details of the processes, identifying the opportunity for waste elimination and also of gaps in the lean journey. Right tools and methods were identified and the Management team analyzed the output of the deep dive activity to define the process of master scheduling to reach the next level in lean. What emerged was a greater focus on being highly responsive to the needs of our customer in real time and on strengthening the ability to produce the right quality and at the right time.